

AMENDED IN ASSEMBLY JUNE 30, 2014

AMENDED IN SENATE MAY 27, 2014

AMENDED IN SENATE APRIL 22, 2014

AMENDED IN SENATE MARCH 24, 2014

SENATE BILL

No. 1210

**Introduced by Senator Lara
(Coauthors: Senators Correa, De León, and Steinberg)**

February 20, 2014

An act to add Article 23 (commencing with Section 70030) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to postsecondary education.

LEGISLATIVE COUNSEL'S DIGEST

SB 1210, as amended, Lara. Postsecondary education: California DREAM Loan Program.

Existing law establishes the University of California, under the administration of the Regents of the University of California, and the California State University, under the administration of the Trustees of the California State University, as 2 of the segments of public postsecondary education in this state. Existing law authorizes the regents and the trustees to require that mandatory systemwide fees and tuition, among other fees, be paid by students at campuses of the University of California and the California State University, respectively.

This bill would establish the California DREAM Loan Program. The bill would provide that, commencing with the 2015–16 academic year, a student attending a participating campus of the University of California or California State University may receive a loan, referred to as a DREAM loan, through the program if the student satisfies specified

requirements, including a requirement that the student be exempt from paying nonresident tuition or meet equivalent requirements adopted by the regents. The bill would require the Student Aid Commission, in collaboration with the participating campus, to certify that the student satisfies these requirements. The bill would require the student to affirm in writing that he or she satisfies one of these requirements, and would require the student to authorize the commission to access any information pertinent to certify that the student satisfies these requirements. The bill would require a participating campus to determine the amount of the loan offered to an individual student by the campus, subject to enumerated specifications.

The bill would state the intent of the Legislature that funds shall be appropriated in the annual Budget Act each fiscal year, commencing with the 2015–16 fiscal year, to participating campuses based upon the number of eligible students attending each respective campus who submitted a specified financial aid application during the prior academic year. The bill would require a participating campus to deposit these funds in a DREAM revolving fund established by each campus, subject to specified exceptions. The bill would require each participating campus to contribute its discretionary funds into its DREAM revolving fund so that the *sum of the campus' contribution and the DREAM loan repayments* equals or exceeds an increasing percentage, as specified, of all funds in the campus' DREAM revolving fund at the start of each academic year before DREAM loans are awarded for that academic year. The bill would require the California State University and the University of California to annually report to the Legislature as part of their respective annual financial aid reports the dollar amount of each DREAM loan awarded and number of students for whom a DREAM loan was awarded that academic year, and require each participating campus to annually report the total amount of funding in the institution's DREAM revolving fund, the annual amount contributed by the state, and the annual amount contributed by the institution to the institution's DREAM revolving fund, and the annual administrative costs of the DREAM Program at the institution.

The bill would require a participating campus to determine a student's eligibility for a DREAM loan, award DREAM loans to students, and establish mechanisms for recording the annual amount of the DREAM loan borrowed by each recipient, and the aggregate amount of DREAM loans borrowed by each recipient.

The bill would require the trustees and request the regents to adopt regulations providing for the withholding of institutional services from current and former students who have been notified in writing that they are in default on DREAM loans.

The bill would provide that each participating campus is entitled to an administrative cost allowance to equal a specified amount for an award year if the campus advances funds through the DREAM Program to students that academic year.

The bill would provide that if a state court finds that a specified provision of this program or similar provision adopted by the Regents of the University of California is unlawful, the court may order, as equitable relief, that the participating campus subject to the lawsuit terminate all loans awarded pursuant to that provision without money damages, loans, or other retroactive relief being awarded, and that the California State University and the University of California are immune from any imposition of money damages, loans, or other retroactive relief for actions taken under this program.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. This act shall be known, and may be cited, as the
- 2 California DREAM Loan Act.
- 3 SEC. 2. The Legislature finds and declares all of the following:
- 4 (a) California has expanded access to higher education for
- 5 thousands of hard-working, high-achieving students who attended
- 6 and graduated from a California high school but were ineligible
- 7 to pay in-state tuition and fees to attend a campus of the California
- 8 State University and the University of California, including many
- 9 students who were denied access to state financial aid or financial
- 10 aid offered at these campuses.
- 11 (b) Since 2002, students have been exempt from paying
- 12 nonresident tuition and fees at the California Community Colleges,
- 13 the California State University, and the University of California
- 14 pursuant to Section 68130.5. Commencing in 2011, these students
- 15 were eligible for state financial aid or financial aid offered by these
- 16 public institutions. Nevertheless, many of these students remain
- 17 ineligible for federal student aid for reasons beyond their control.
- 18 Lack of access to federal student loans presents a substantial barrier

1 for these students to obtain a baccalaureate degree from the
2 California State University or the University of California.

3 (c) The California DREAM Loan Act addresses this barrier by
4 providing access to additional state aid so students may take full
5 advantage of the educational opportunities offered at the California
6 State University and the University of California.

7 (d) The California DREAM Loan Act represents an important
8 step in the state's ongoing efforts to provide access to all
9 academically qualified students pursuing the dream of a college
10 or university degree. Through the enactment of this measure,
11 California will keep faith with the state's longstanding promise to
12 make higher education accessible and affordable to every qualified
13 student.

14 SEC. 3. Article 23 (commencing with Section 70030) is added
15 to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education
16 Code, to read:

17
18 Article 23. California DREAM Loan Program
19

20 70030. This article shall be known, and may be cited, as the
21 California DREAM Loan Program.

22 70031. The California DREAM Loan Program, which may
23 also be referred to as the DREAM Program, is hereby established.

24 70032. As used in this article, the following terms have the
25 following meanings:

26 (a) An "academic year" is July 1 to June 30, inclusive. The start
27 date of a session shall determine the academic year in which it is
28 included.

29 (b) "Award year" means one academic year, or the equivalent,
30 of attendance at a qualifying institution.

31 (c) "Commission" means the Student Aid Commission.

32 (d) "Cost of attendance" means the student's tuition and fees,
33 books and supplies, living expenses, transportation expenses, and
34 any other student expenses used to calculate a student's financial
35 need for purposes of federal Title IV student aid programs.

36 (e) "Enrollment status" means part-time status or full-time status
37 of a student at a qualifying institution.

38 (f) "Expected family contribution" means a student's expected
39 family contribution calculated according to the federal
40 methodology pursuant to subdivision (a) of Section 69506 (as

1 established by Title IV of the federal Higher Education Act of
2 1965, as amended (20 U.S.C. Sec. 1070 et seq.)).

3 (g) “Financial need” means a student’s financial need calculated
4 pursuant to the federal financial need methodology (as established
5 by Title IV of the federal Higher Education Act of 1965, as
6 amended (20 U.S.C. Sec. 1070 et seq.)).

7 (h) “Instructional program” means a program of study that
8 results in the award of a baccalaureate degree or undergraduate
9 certificate, or undergraduate coursework in a program of study
10 leading directly to a first professional degree for which no
11 baccalaureate degree or undergraduate degree is awarded.

12 (i) “Participating institution” means any campus of the California
13 State University or the University of California that elects to
14 participate in the DREAM Program pursuant to the requirements
15 specified for a qualifying institution as set forth in this article.

16 (j) “Satisfactory academic progress” means those criteria
17 required by applicable federal standards published in Title 34 of
18 the Code of Federal Regulations. A participating institution may
19 adopt regulations defining “satisfactory academic progress” in a
20 manner that duplicates those federal standards.

21 70033. (a) Commencing with the 2015–16 academic year, a
22 student attending a participating institution may receive a loan
23 under the DREAM Program if the student satisfies all of the
24 following requirements:

25 (1) The student is exempt from paying nonresident tuition under
26 Section 68130.5, or meets equivalent requirements adopted by the
27 Regents of the University of California.

28 (2) The student applies for financial aid using the application
29 established by the Student Aid Commission pursuant to subdivision
30 (b) of Section 69508.5, known as the Dream Act Application.

31 (3) The student is enrolled at least half time in good standing
32 in an instructional program at a participating institution.

33 (4) The student is determined by the participating institution to
34 have financial need.

35 (5) The student maintains satisfactory academic progress at the
36 participating institution.

37 (6) The student is not incarcerated.

38 (7) The student is not in default on any federal student loan,
39 state student loan, or student loan issued by the California State
40 University or the University of California.

1 (8) The student is enrolled in a program eligible for participation
2 in the Cal Grant Program.

3 (b) (1) The Student Aid Commission or the participating
4 institution shall require the student to affirm in writing that he or
5 she satisfies the requirements of paragraph (7) of subdivision (a).

6 (2) A student seeking an award shall authorize the Student Aid
7 Commission to access any information pertinent to certify that the
8 student meets the requirements of subdivision (a).

9 (c) The Student Aid Commission, in collaboration with the
10 participating institution, shall certify that the student satisfies all
11 of the requirements specified in subdivision (a) before the
12 participating institution may issue an award to the student pursuant
13 to this article.

14 (d) The Legislature finds and declares that this article is a state
15 law within the meaning of Section 1621(d) of Title 8 of the United
16 States Code.

17 70034. (a) The amount of the DREAM loan offered to an
18 individual student by a participating institution shall be determined
19 by the institution, subject to the following provisions:

20 (1) The loan may not exceed the financial need of the student.

21 (2) No student may borrow more than four thousand dollars
22 (\$4,000) under this program within a single academic year.

23 (3) No student may borrow more than twenty thousand dollars
24 (\$20,000) in the aggregate under the program from any one
25 participating institution.

26 (b) The interest rate for loans issued under the program shall
27 be the same as the then-current interest rate for undergraduate
28 loans under the William D. Ford Federal Direct Loan Program.

29 (c) The standard repayment term for a DREAM loan shall be
30 10 years. Repayment shall commence following a six-month grace
31 period that begins when a student graduates or ceases to maintain
32 at least half-time enrollment in a degree or certificate program.

33 (d) Interest shall not accrue on a DREAM loan during periods
34 of at least half-time enrollment in a degree or certificate program
35 or during the six-month grace period specified in subdivision (c).

36 (e) Eligibility for deferment or forbearance of a DREAM loan
37 shall be determined by the participating institution in accordance
38 with the standards set forth in the William D. Ford Federal Direct
39 Loan Program.

1 (f) Participating institutions shall use a common promissory
2 note, approved by the Treasurer, to issue DREAM loans.

3 70035. (a) It is the intent of the Legislature that, each fiscal
4 year, funds shall be appropriated in the annual Budget Act to
5 participating institutions for purposes of the DREAM Program.

6 (b) The annual Budget Act shall allocate funding to participating
7 institutions based on the number of eligible students attending the
8 institution who applied for student financial aid pursuant to Section
9 69508.5 the prior academic year.

10 (c) Each participating institution shall deposit funds appropriated
11 pursuant to subdivision (a) in a DREAM revolving fund established
12 by each institution, subject to subdivision (e). DREAM loans shall
13 be awarded from, and DREAM loan repayments shall be deposited
14 into, these revolving funds.

15 (d) At the start of each academic year, before DREAM loans
16 for that academic year are awarded, each participating institution
17 shall contribute discretionary funds into its DREAM revolving
18 fund so that the *sum of the* institution's contribution of funds *and*
19 *DREAM loan repayments* equals or exceeds the following amounts:

20 (1) Twenty-five percent of all funds for the institution's DREAM
21 revolving fund for the institution's first and second year of
22 participation.

23 (2) Thirty-three percent of all funds in the institution's DREAM
24 revolving fund for the institution's third and fourth year of
25 participation.

26 (3) Fifty percent of all funds in the institution's DREAM
27 revolving fund for the institution's fifth year of participation, and
28 every year thereafter.

29 (e) A participating institution shall not receive any additional
30 state funds if the receipt of these funds would reduce the percentage
31 of the DREAM revolving fund derived from the *sum of the*
32 institution's contribution of funds *and DREAM loan repayments*
33 to less than the specified percentage of all funds in the institution's
34 DREAM revolving fund as described in subdivision (d).

35 (f) (1) In the event that an institution terminates its participation
36 in the DREAM Program, the institution shall continue to service
37 DREAM loans, collect DREAM loan repayments, and perform all
38 due diligence required by the federal Fair Credit Reporting Act
39 (15 U.S.C. Sec. 1681 et seq.) until the last students at that

1 institution issued loans under the DREAM Program prior to the
2 institution terminating its participation have repaid their loans.

3 (2) An institution described in paragraph (1) that terminates its
4 participation in the ~~DREAM Program~~, *Program* shall annually
5 repay all funds provided by the state as the institution collects
6 DREAM loan repayments.

7 (g) (1) The California State University and the University of
8 California shall annually report to the Legislature as part of their
9 respective annual financial aid reports the dollar amount of each
10 DREAM loan awarded and number of students for whom a
11 DREAM loan was awarded that academic year.

12 (2) Each institution, including an institution described in
13 subdivision (f), shall annually report all of the following:

14 (A) The total amount of funding in the institution's DREAM
15 revolving fund.

16 (B) The annual amount contributed by the state to the
17 institution's DREAM revolving fund.

18 (C) The annual amount contributed by the institution to the
19 institution's DREAM revolving fund.

20 (D) The annual administrative costs of the DREAM Program
21 at the institution.

22 70036. Each participating institution is responsible for all the
23 following:

24 (a) The participating institution shall determine a student's
25 eligibility for a DREAM loan.

26 (b) The participating institution shall award DREAM loan funds
27 to students.

28 (c) The participating institution shall provide entrance and exit
29 loan counseling to borrowers that is generally comparable to that
30 required by federal student loan programs.

31 (d) The participating institution shall service DREAM loans,
32 collect DREAM loan repayments, and perform all of the due
33 diligence required by the federal Fair Credit Reporting Act (15
34 U.S.C. Sec. 1681 et seq.).

35 (e) The participating institution shall establish mechanisms for
36 recording the annual amount of the DREAM loan borrowed by
37 each recipient, and the aggregate amount of DREAM loans
38 borrowed by each recipient, in order to comply with the annual
39 and aggregate borrowing limits set forth in Section 70034.

1 70037. (a) The Trustees of the California State University and
2 the Regents of the University of California shall adopt regulations
3 providing for the withholding of institutional services from students
4 or former students who have been notified in writing at the
5 student's or former student's last known address that he or she is
6 in default on a loan or loans under the DREAM Program.

7 (b) (1) The regulations adopted pursuant to subdivision (a) shall
8 provide that the services withheld may be provided during a period
9 when the facts are in dispute or when the student or former student
10 demonstrates to either the Trustees of the California State
11 University or the Regents of the University of California, as
12 applicable, that reasonable progress has been made to repay the
13 loan or that there exists a reasonable justification for the delay as
14 determined by the institution. The regulations shall specify the
15 services to be withheld from the student, which may include, but
16 are not limited to, the following:

17 (A) The provision of grades.

18 (B) The provision of transcripts.

19 (C) The provision of diplomas.

20 (2) The services withheld pursuant to paragraph (1) shall not
21 include the withholding of registration privileges.

22 (c) "Default," for purposes of this section, means the failure of
23 a borrower to make an installment payment when due, or to meet
24 other terms of the promissory note under circumstances where the
25 institution holding the loan finds it reasonable to conclude that the
26 borrower no longer intends to honor the obligation to repay,
27 provided that this failure persists for 180 days for a loan repayable
28 in monthly installments, or 240 days for a loan repayable in less
29 frequent installments.

30 (d) This section shall not impose any requirement upon the
31 University of California unless the Regents of the University of
32 California, by resolution, makes this section applicable.

33 70038. (a) Each participating institution is entitled to an
34 administrative cost allowance for an award year if the institution
35 elects to advance funds under the DREAM Program to students
36 for that award year.

37 (b) The amount of the administrative cost allowance described
38 in subdivision (a) shall equal 5 percent of the institution's total
39 amount of DREAM loan funds awarded to students for the award

1 year that the participating institution advances funds to students
2 under the DREAM Program.

3 (c) Each participating institution may charge its administrative
4 cost allowance to its DREAM revolving fund.

5 (d) Each participating institution shall use its administrative
6 cost allowance to offset the cost of administering the DREAM
7 Program.

8 (e) Each participating institution is responsible for administrative
9 costs that exceed its administrative cost allowance.

10 70039. If a state court finds that Section 70033, or any similar
11 provision adopted by the Regents of the University of California,
12 is unlawful, the court may order, as equitable relief, that the
13 participating institution subject to the lawsuit terminate all loans
14 awarded pursuant to that statute or provision deemed unlawful by
15 a state court, but no money damages, loans, or other retroactive
16 relief, may be awarded. In an action in which a state court finds
17 that Section 70033 or any similar provision adopted by the Regents
18 of the University of California, is unlawful, the California State
19 University and the University of California shall be immune from
20 the imposition of any award of money damages, loans, or other
21 retroactive relief.